

Overview

Fiscal Year 2017

City Manager

Recommended Operating
Budget

City Council Work Session

March 22, 2016

Forming the FY 2017 Operating Budget

Impacts: Revenue and Expenses

- **Major Revenue Impacts**

- INCREASE in Real Estate Assessments for the second consecutive year; localized in certain property classes
- Steady signs of economic recovery in local revenues
- No new taxes, no changes in tax rates

Forming the FY 2017 Operating Budget

Impacts: Revenue and Expenses

- **Major Expense Considerations**
 - Increased Pension and Healthcare costs
 - Salary adjustments, employee investment
 - Schools Division funding
 - Maintenance of programs and services
 - Restoration of previous reductions
 - Investments in support of our Strategic Priorities

Outcome Measures and the Budget

Outcome Measures focus on the desired result of a particular service at a population level.

- Helps us to manage/execute City activities for improvement
- Helps us to have an objective decision making means
- Help us with a progress indicator(s)

City of Newport News FY 2017 Financial Plan

\$1,016,155,260

Total Operating Budget
\$858,137,322

General Fund

**Special
Revenue
Funds**

24 Funds

**Separate
Funds**

Waterworks
Vehicle Services
CDBG Funds

School Operating Fund

Cash Capital
Debt Service

**Capital
Improvements
Plan**
\$167,034,514

**General
Fund
Supported
Projects**

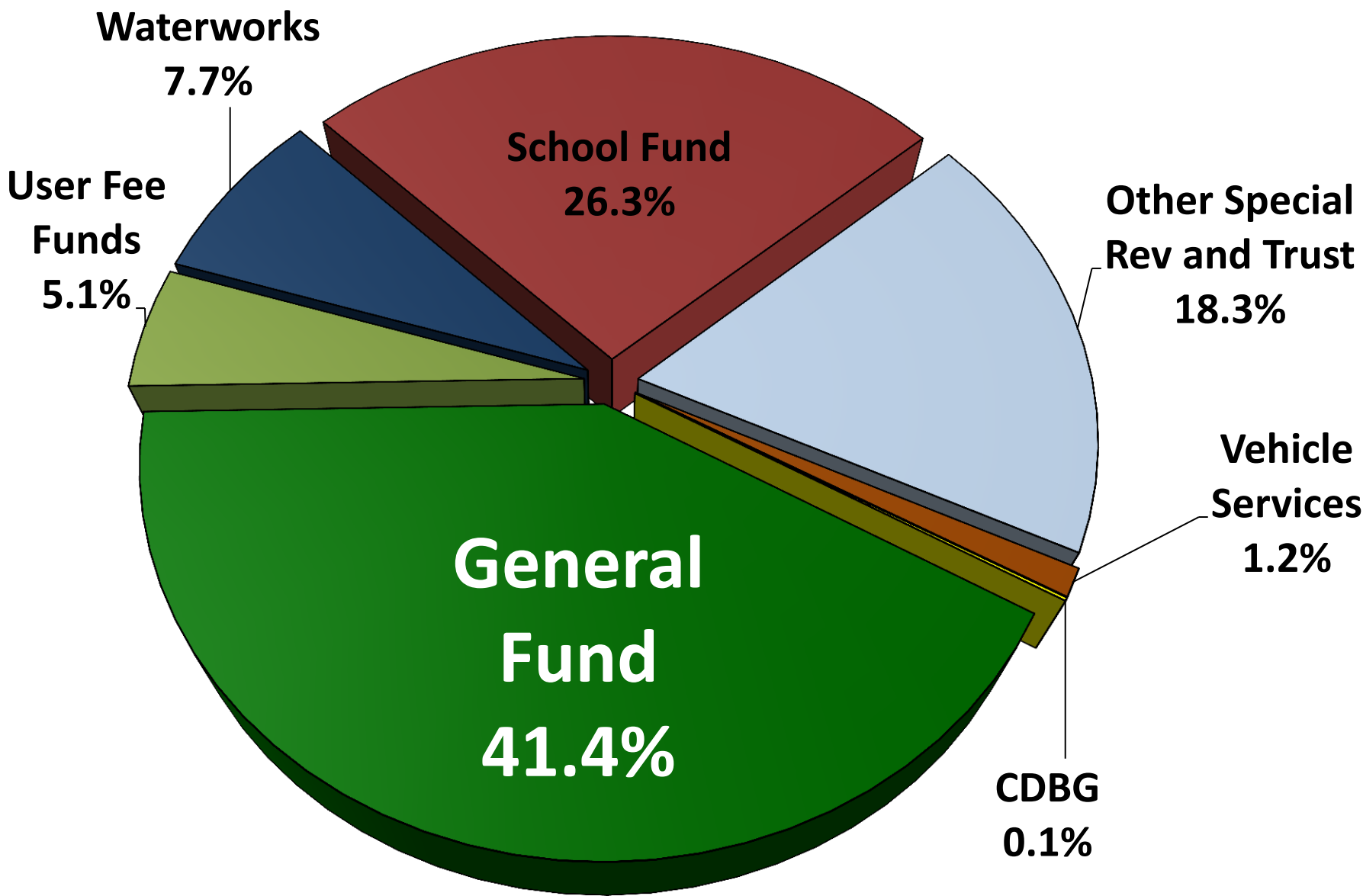
**User-fee
Supported
Projects**

Total Operating Budget

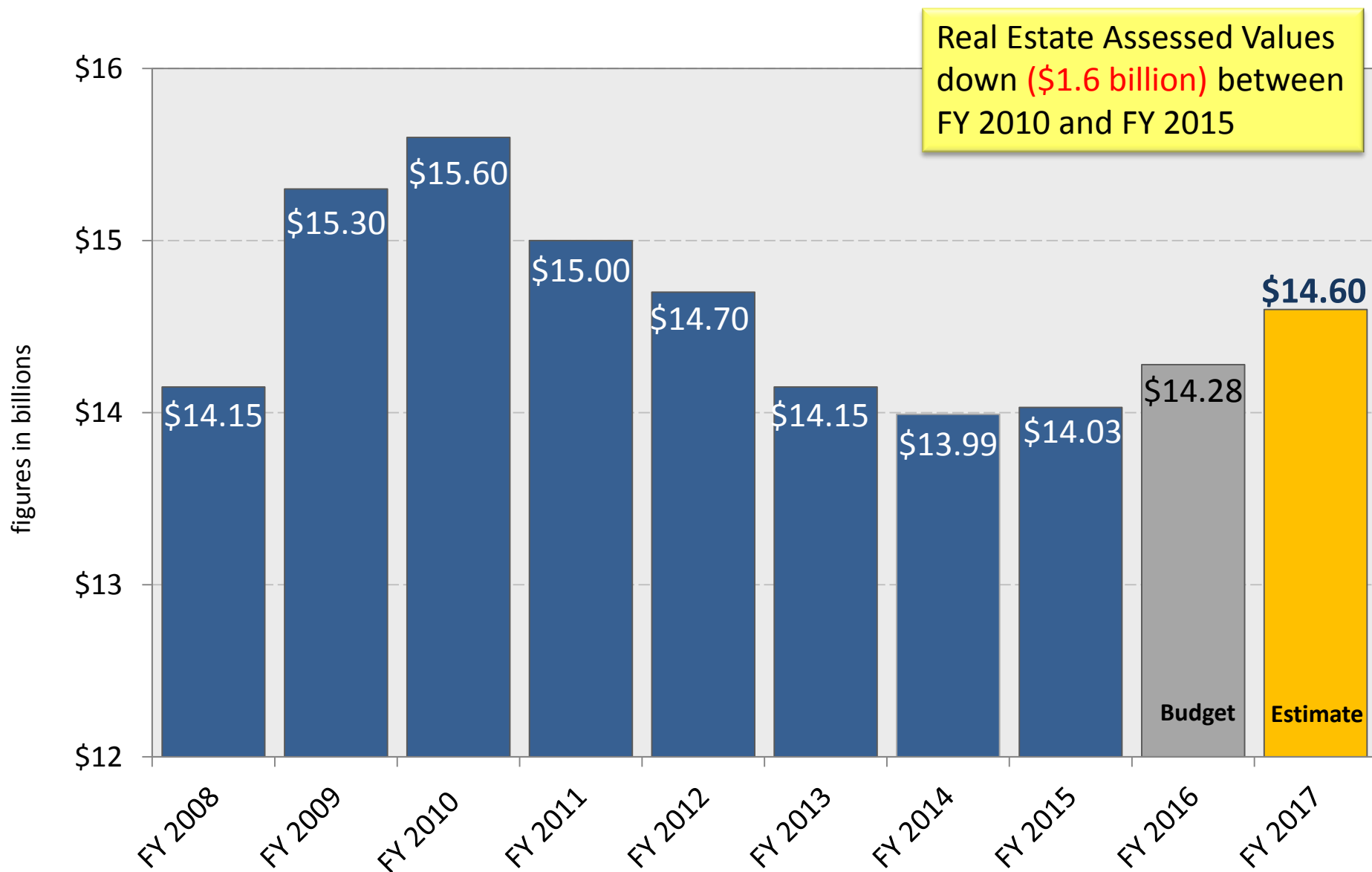
OVERVIEW

	FY 2016	FY 2017	\$	%
\$ figures in millions	Adopted	Manager Rec	Change	Change
General Fund	\$464.2	\$478.8	\$14.6	3.1%
City Transfer to Schools	118.3	119.3	1.0	0.8%
<i>Net General Fund</i>	345.9	359.5	13.6	3.9%
School Fund	295.9	304.1	8.3	2.8%
Waterworks Fund	86.9	88.8	1.8	2.1%
Wastewater Fund	21.5	21.8	0.3	1.5%
Solid Waste Fund	14.7	14.9	0.2	1.6%
Stormwater Fund	20.0	22.1	2.1	10.7%
All Other Special Revenue & Trust Funds	43.8	46.9	3.1	7.0%
Total Operating Budget	\$828.7	\$858.1	\$29.4	3.6%

FY 2017 Operating Budget Composition



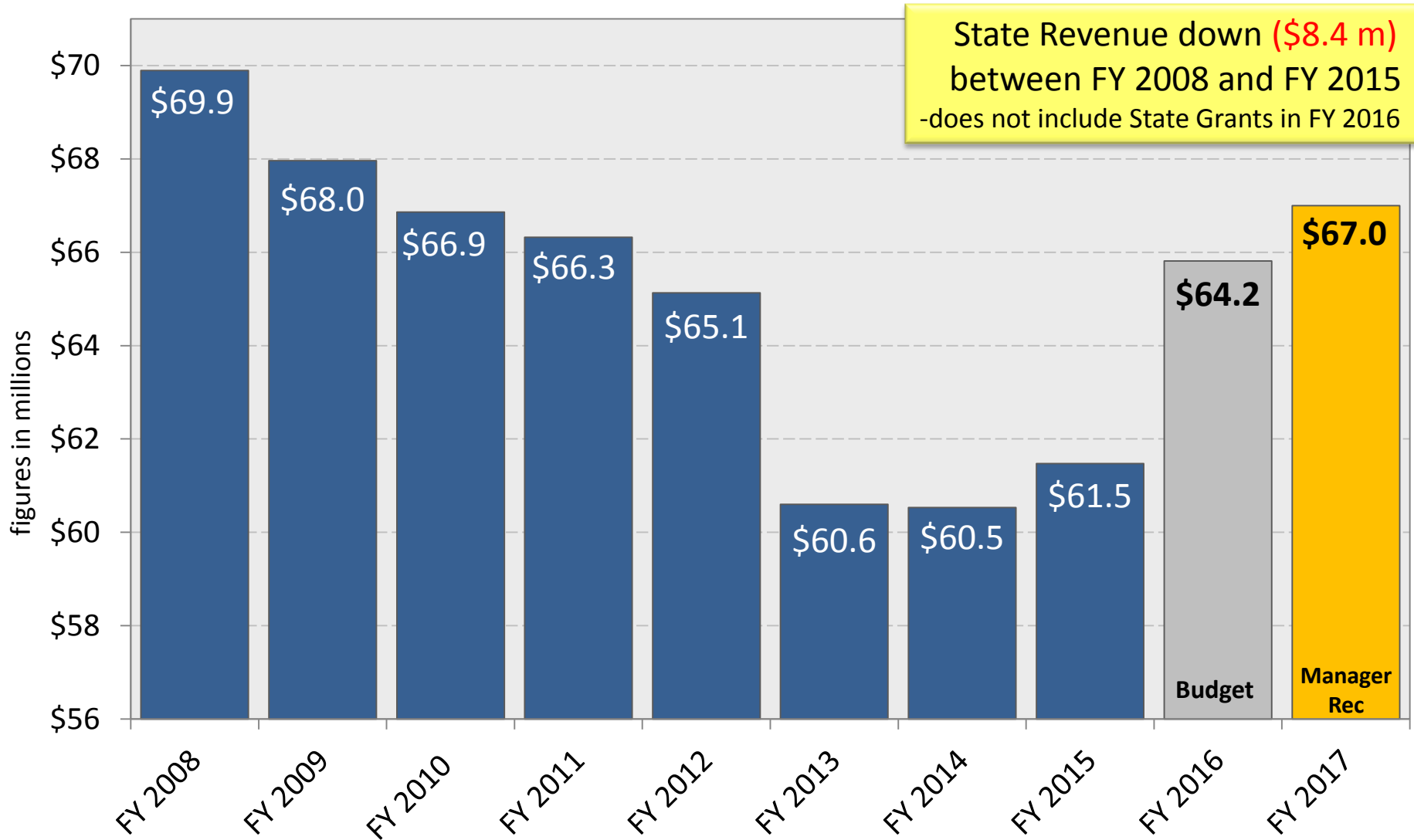
Real Estate Assessed Values



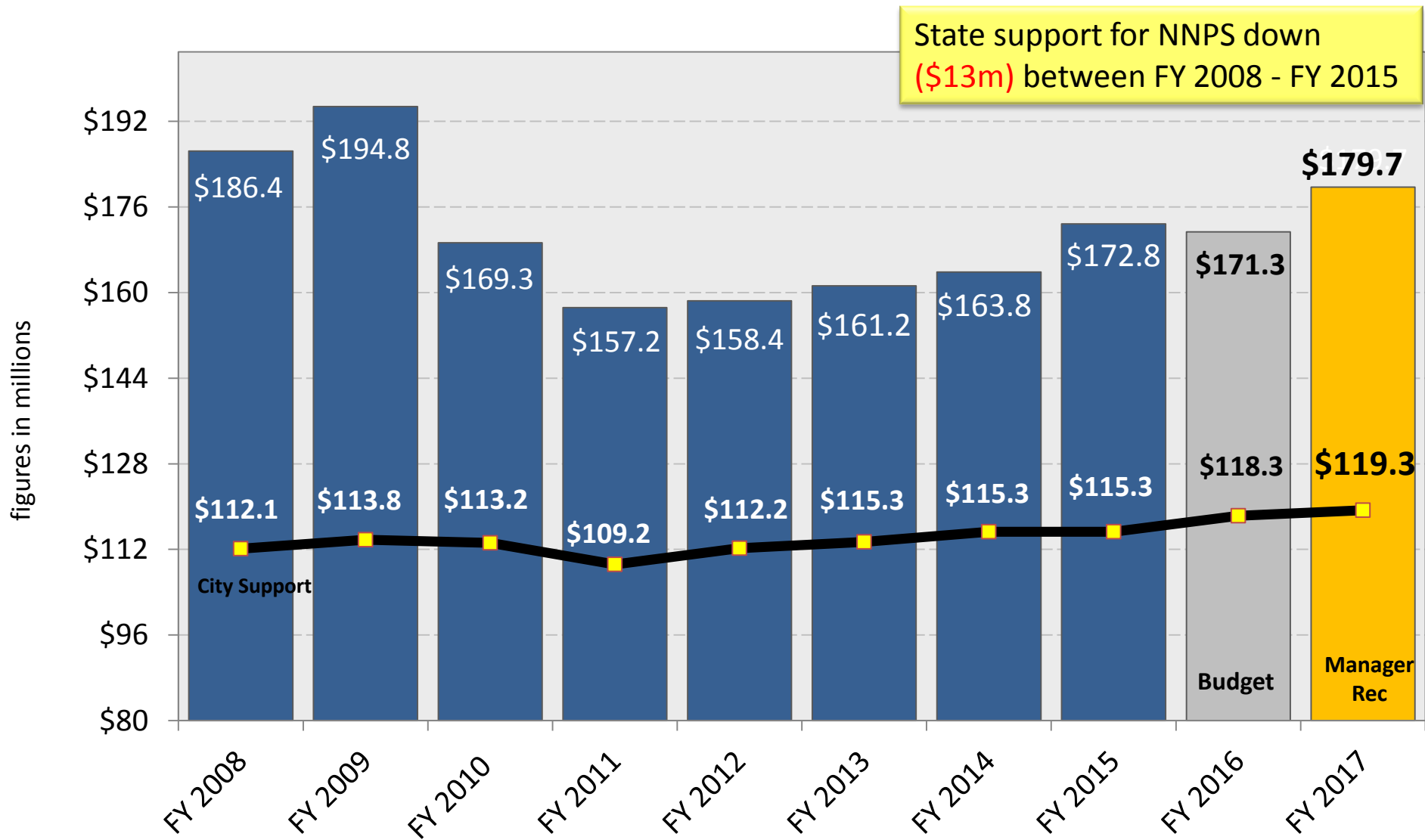
State Revenue

General Fund

State Reimbursement for Mandated Programs



State Support for Newport News Public Schools



General Fund Revenue

Change in General Fund Revenues

	FY 2016	FY 2017	\$	%
\$ figures in millions	Adopted	Manager Rec	Change	Change
Real Estate Tax ¹	\$176.2	\$183.7	\$7.5	4.3%
Personal Property Tax	51.9	52.9	1.0	1.9%
Machinery and Tools Tax	21.8	22.9	1.1	5.0%
BPOL Tax	17.0	17.3	0.3	1.8%
Sales Tax	23.9	24.7	0.8	3.3%
Meal Tax	24.0	24.8	0.8	3.3%
State Aid ²	42.8	43.5	0.7	1.6%
All Other Taxes / Fees	102.5	104.8	2.3	2.2%
Federal/State Grant Funds	4.1	4.1	0.0	100.0%
Total Operating Budget	\$464.2	\$478.7	\$14.5	3.1%

¹ Includes Current Tax, Public Service Corporations, Tax Relief, and Delinquencies

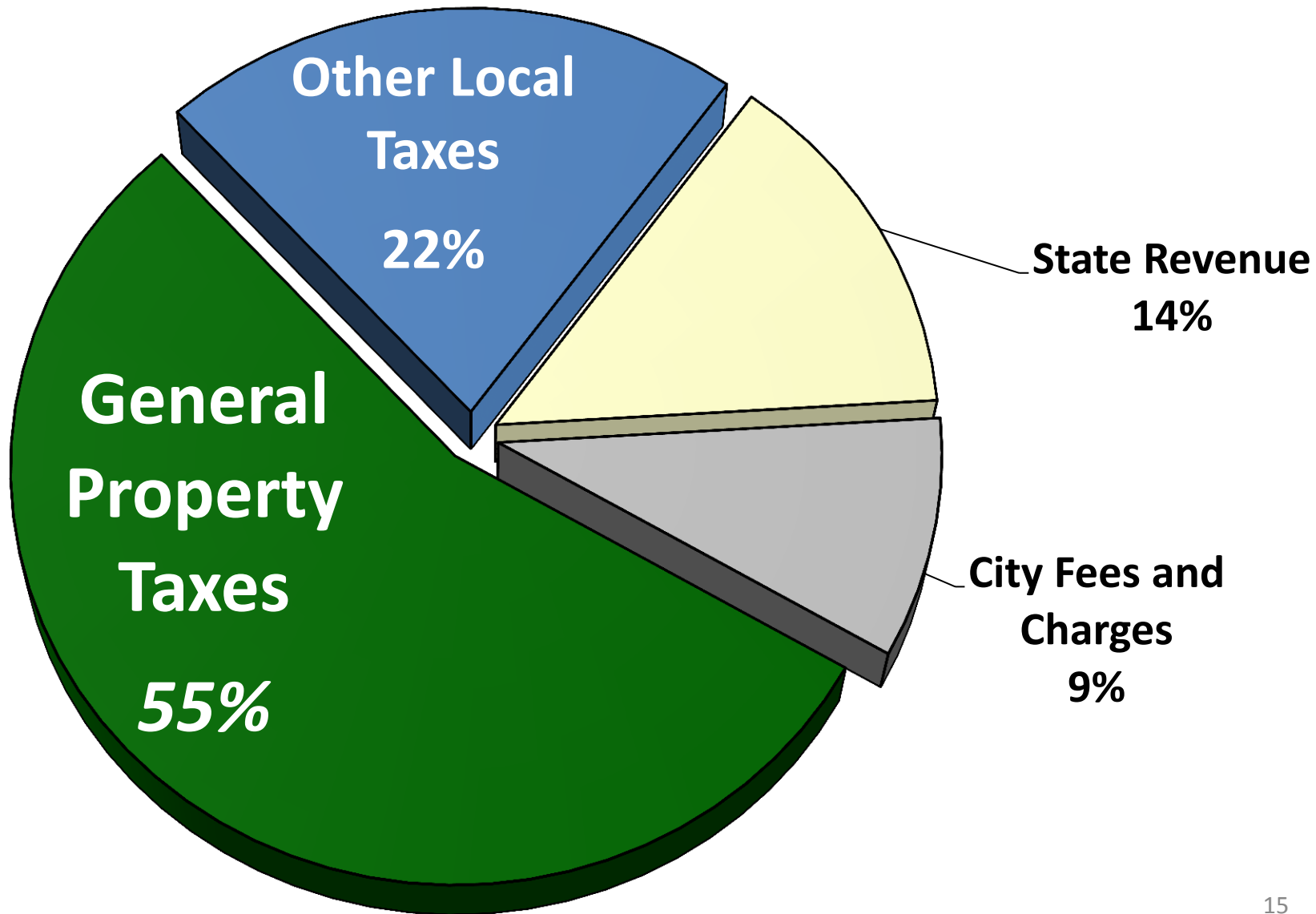
² Includes Shared Expenses and Categorical Aid

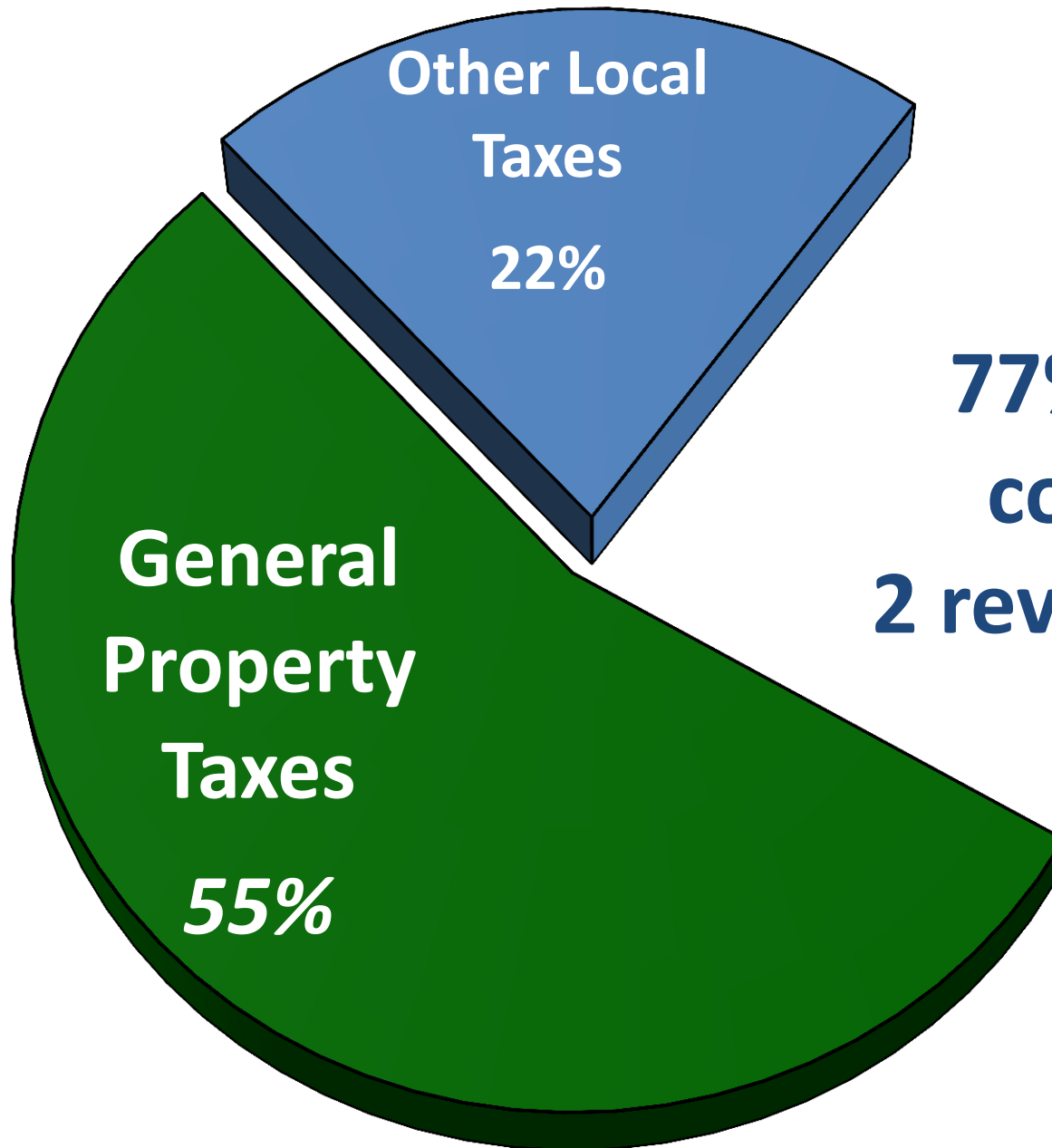
General Fund Revenues – By Category

\$ figures in millions	FY 2016 Adopted	FY 2017 Manager Rec	\$	%
			Change	Change
General Property Taxes	\$252.6	\$262.7	\$10.1	4.0%
Other Local Taxes	103.5	104.7	1.2	1.2%
Permits, Fees, Reg Licenses	3.4	3.7	0.3	8.8%
Fines and Forfeitures	2.4	1.7	0.0	0.0%
Use of Money and Property	2.3	2.4	0.0	0.0%
Charges for Services	6.2	6.2	0.0	0.0%
Miscellaneous Revenue*	24.0	24.8	0.8	3.3%
Recovered Costs	12.8	13.5	0.7	5.5%
Non-Categorical Aid	1.1	1.0	(0.1)	0.0%
Shared Expenses	10.2	10.2	0.0	0.0%
Categorical Aid	31.5	32.3	0.8	2.5%
Non-Revenue Receipts	14.0	15.3	1.3	9.3%
Payments from Other Funds	0.2	0.2	0.0	0.0%
Total Revenues	\$464.2	\$478.7	\$13.2	3.1%

General Fund Revenue

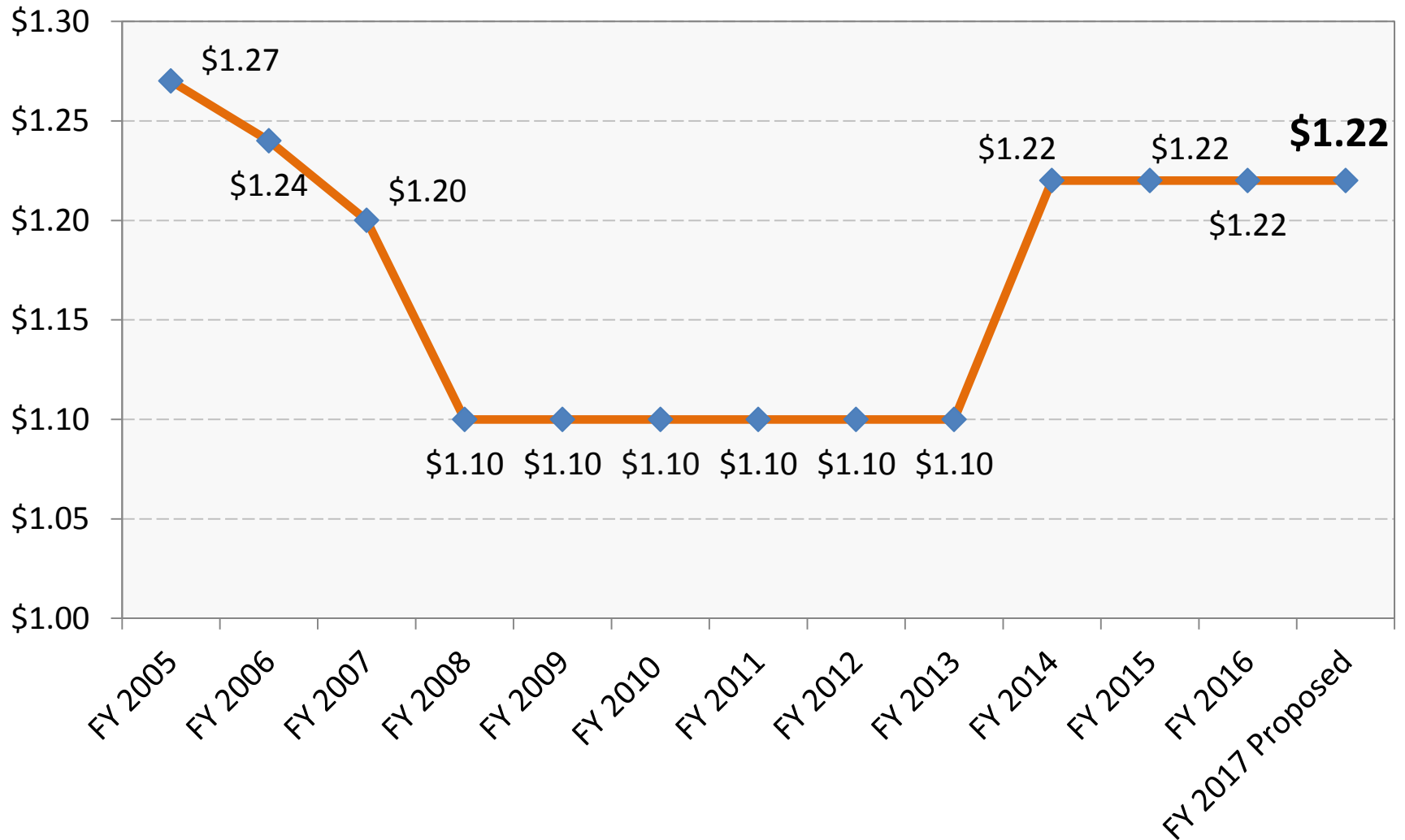
FY 2017 Recommended Budget - **\$478 million**



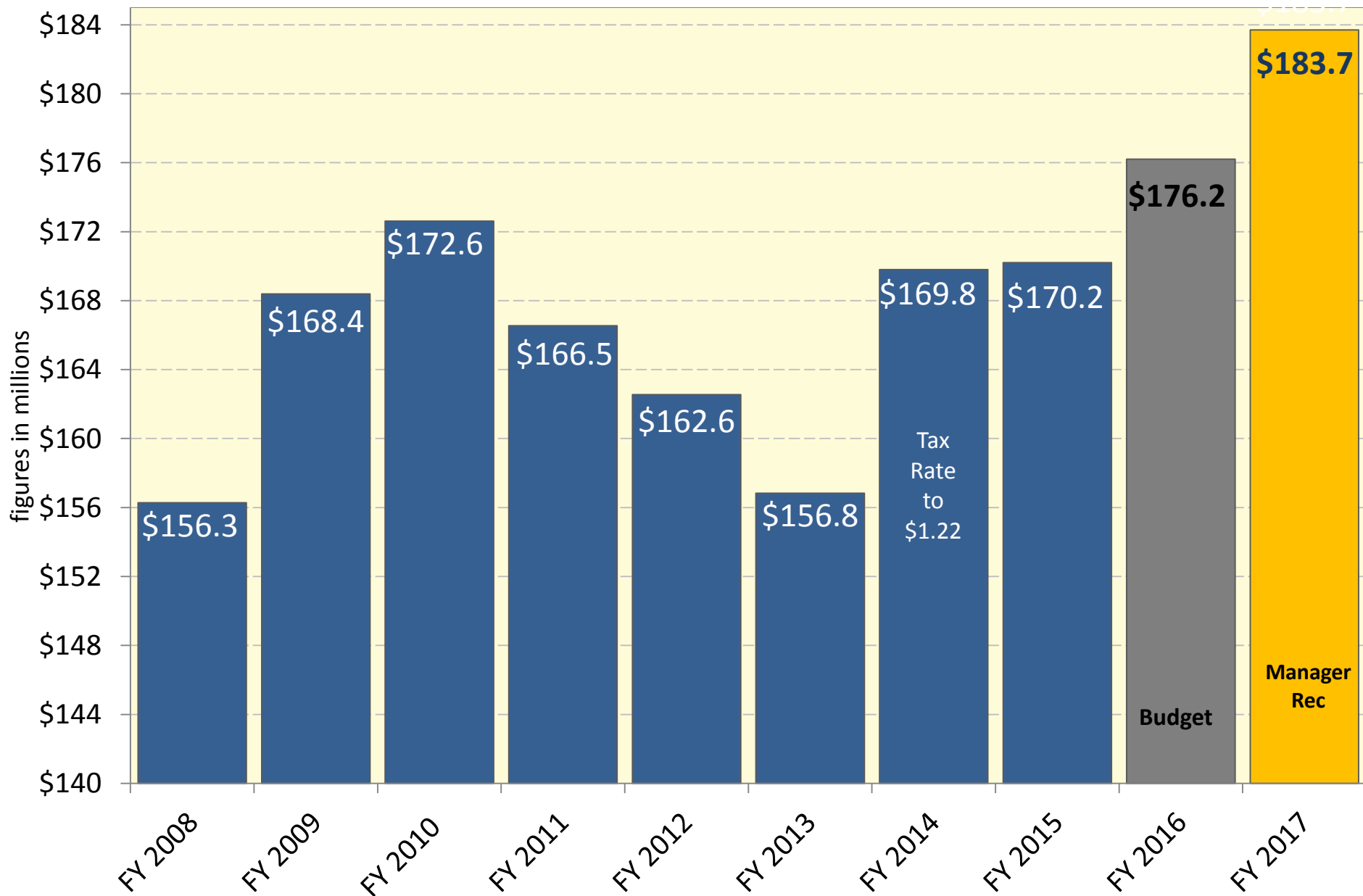


**77% or \$367m
comes from
2 revenue streams**

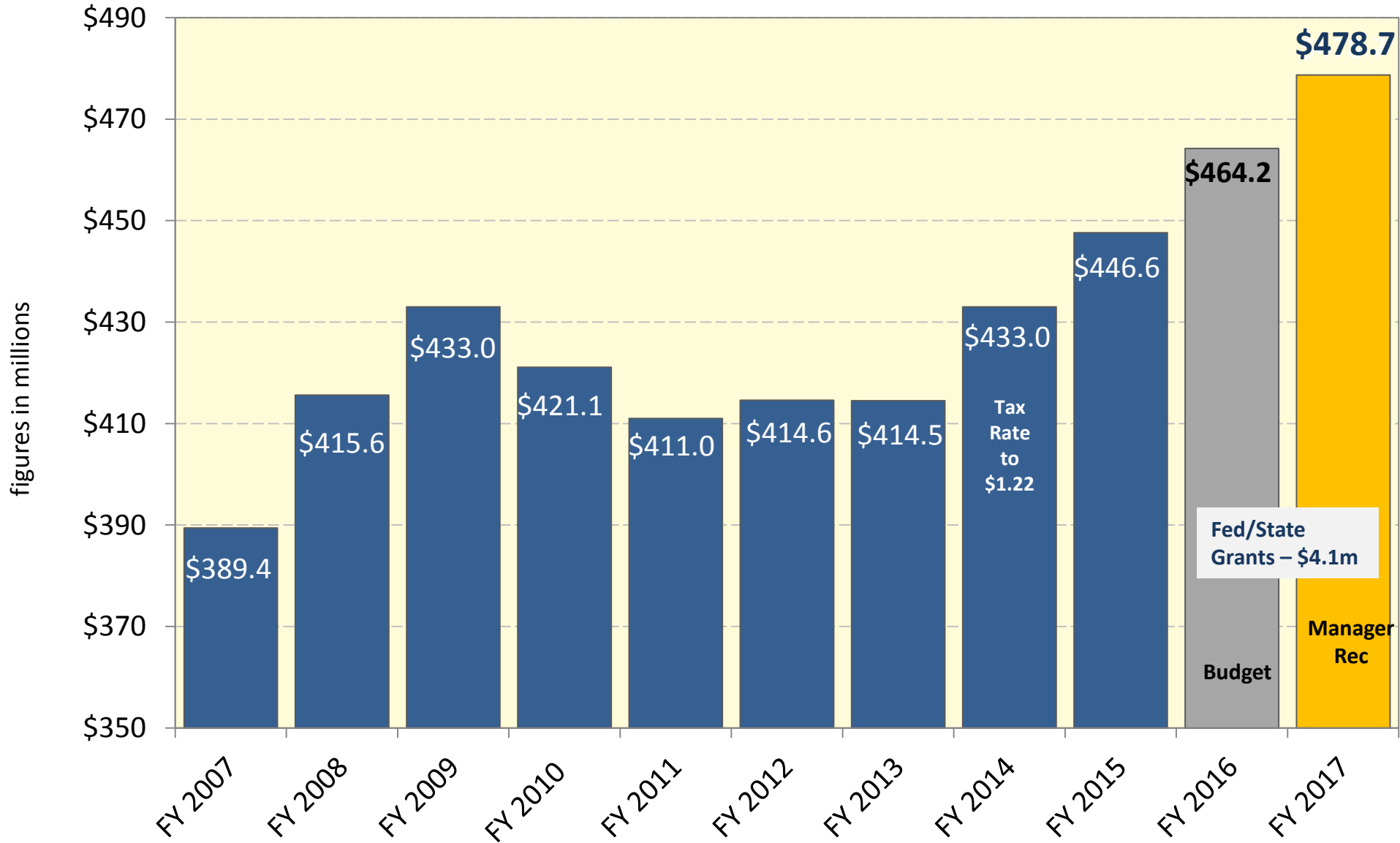
Real Estate Tax Rate



Real Estate Tax Revenue



General Fund Operating Budget



General Fund Expenses

General Fund

Expenditure Changes

- Pension increase – Final Year for sizeable increases
- Moderate Health Insurance Premium increase
- Salary Adjustment, Merit-based
- Salary Equity Adjustment
- Local Support for Schools
- Contractual Obligations
- Limited Program Changes, Corrective Actions
- Support Strategic Priorities

General Fund Expenditures

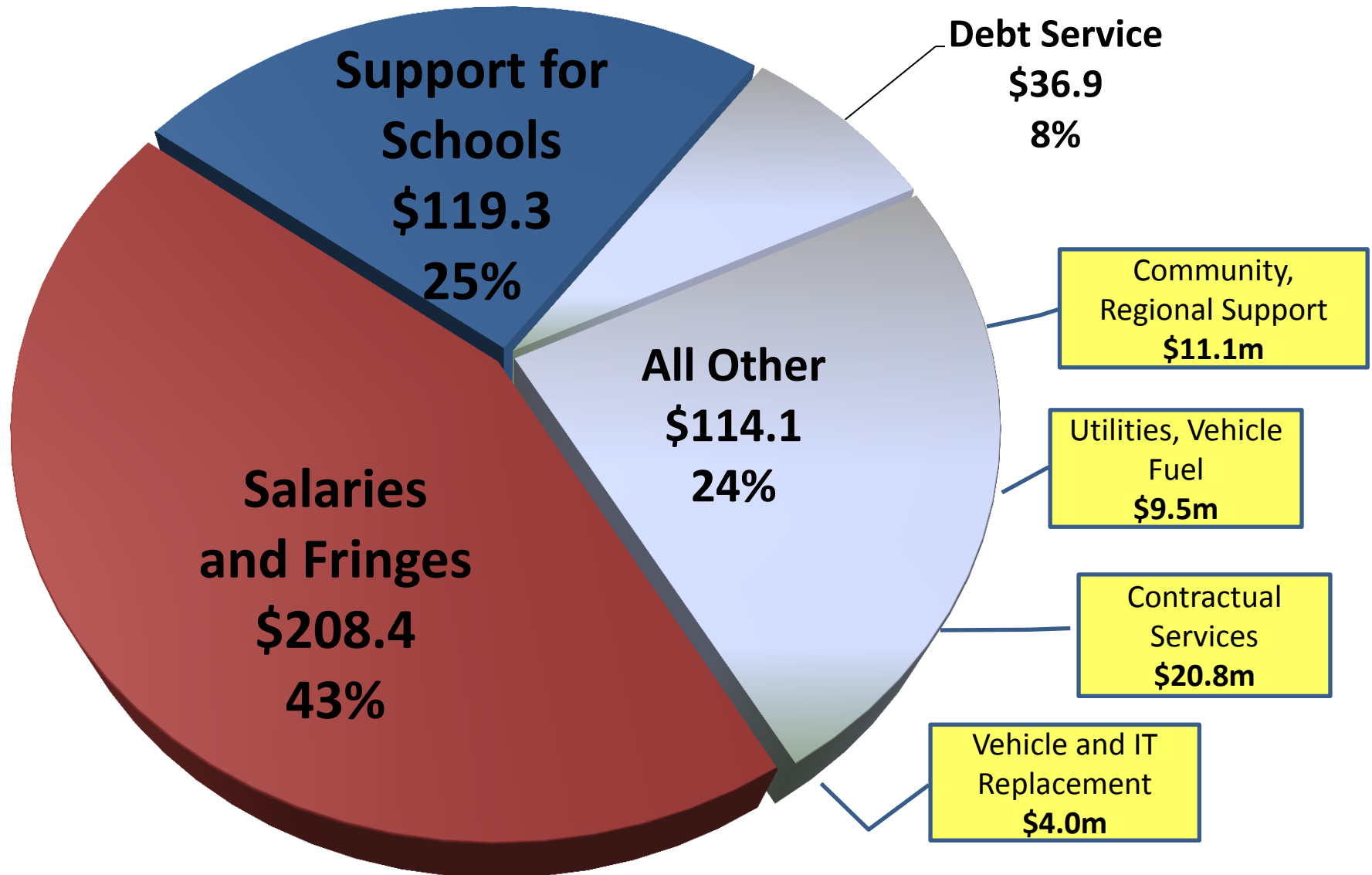
	FY 2016	FY 2017	\$	%
\$ figures in millions	Adopted	Manager Rec	Change	Change
Salaries ¹	\$130.0	\$136.7	\$6.8	5.2%
Fringe Benefits ²	69.6	71.7	2.1	3.0%
Contractual Services	18.1	20.9	2.8	15.5%
Fuel	1.9	1.4	(0.5)	(27.2%)
Other	84.7	87.7	3.0	3.6%
City Support for Schools	118.3	119.3	1.0	0.8%
Debt Service	37.7	36.9	(0.7)	(1.9%)
Federal/State Grants	4.1	4.1	0.0	100.0%
Total Expenditures	\$464.2	\$478.7	14.5	3.1%

¹ Does not include proposed salary adjustment, does include new positions

² Includes FICA, Retirement, Health, Dental, Vision Care, Life, and Workers' Compensation

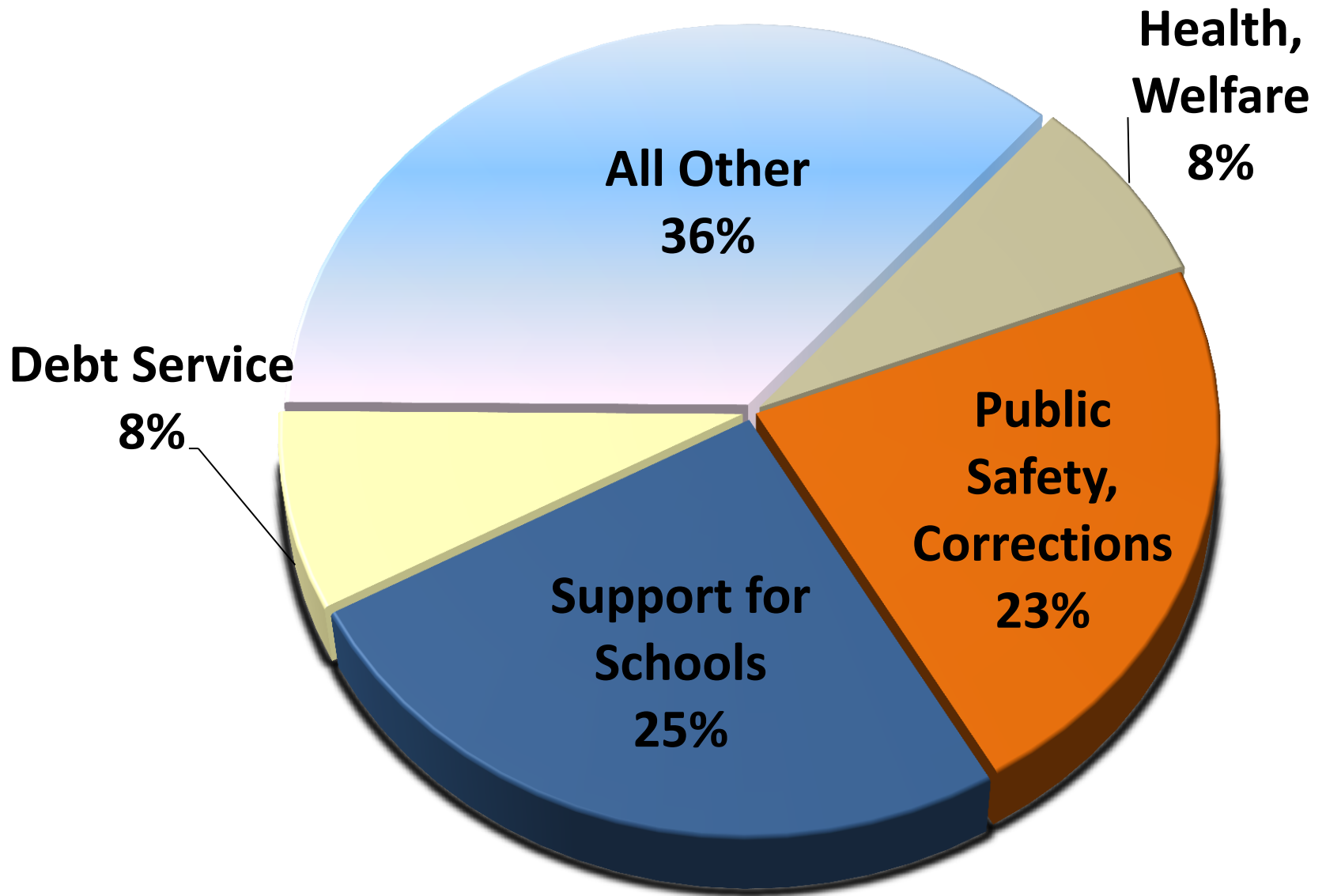
General Fund Expenditures

FY 2017 Recommended Budget - **\$478m**



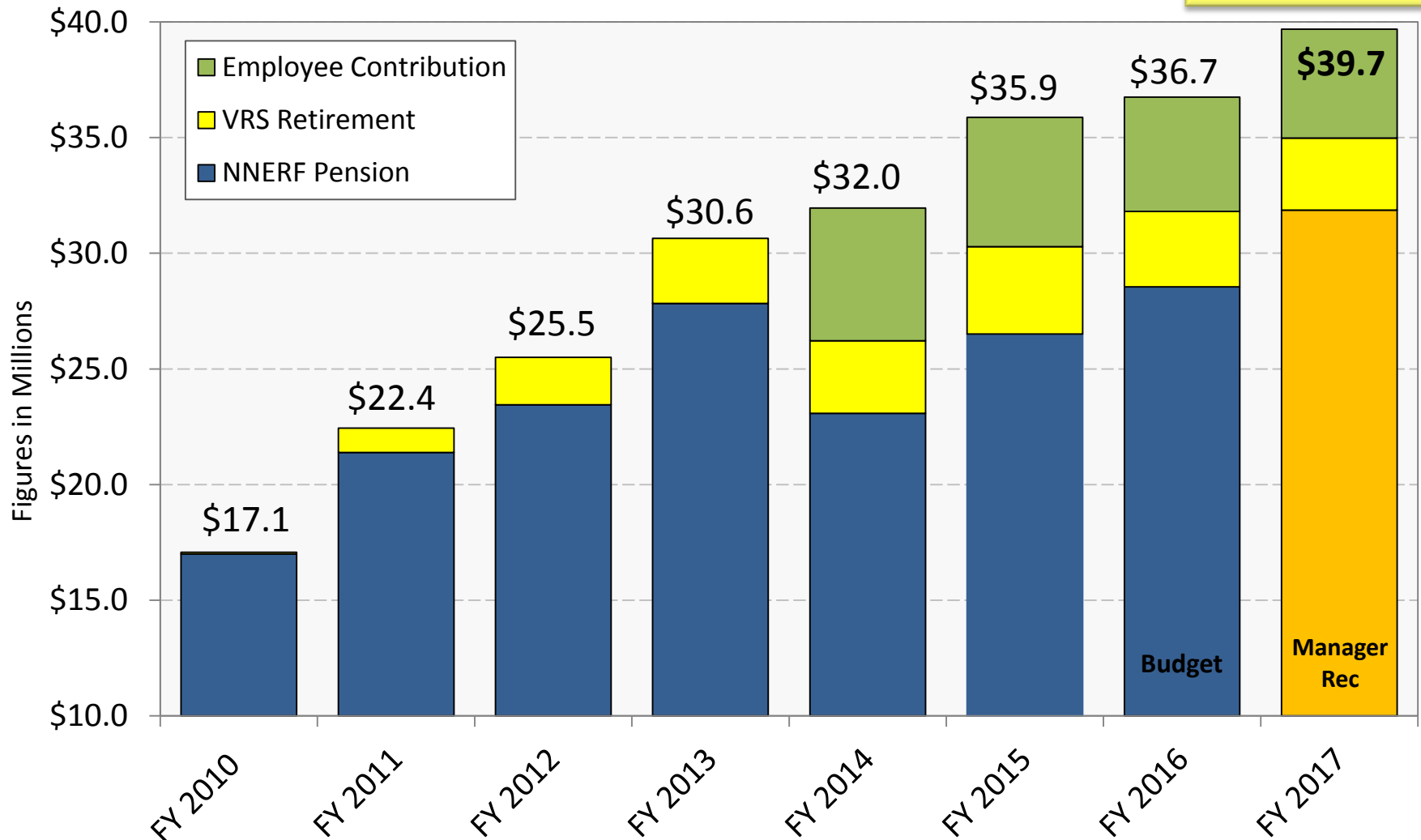
General Fund Expenditures

FY 2016 Recommended Budget - **\$478m**

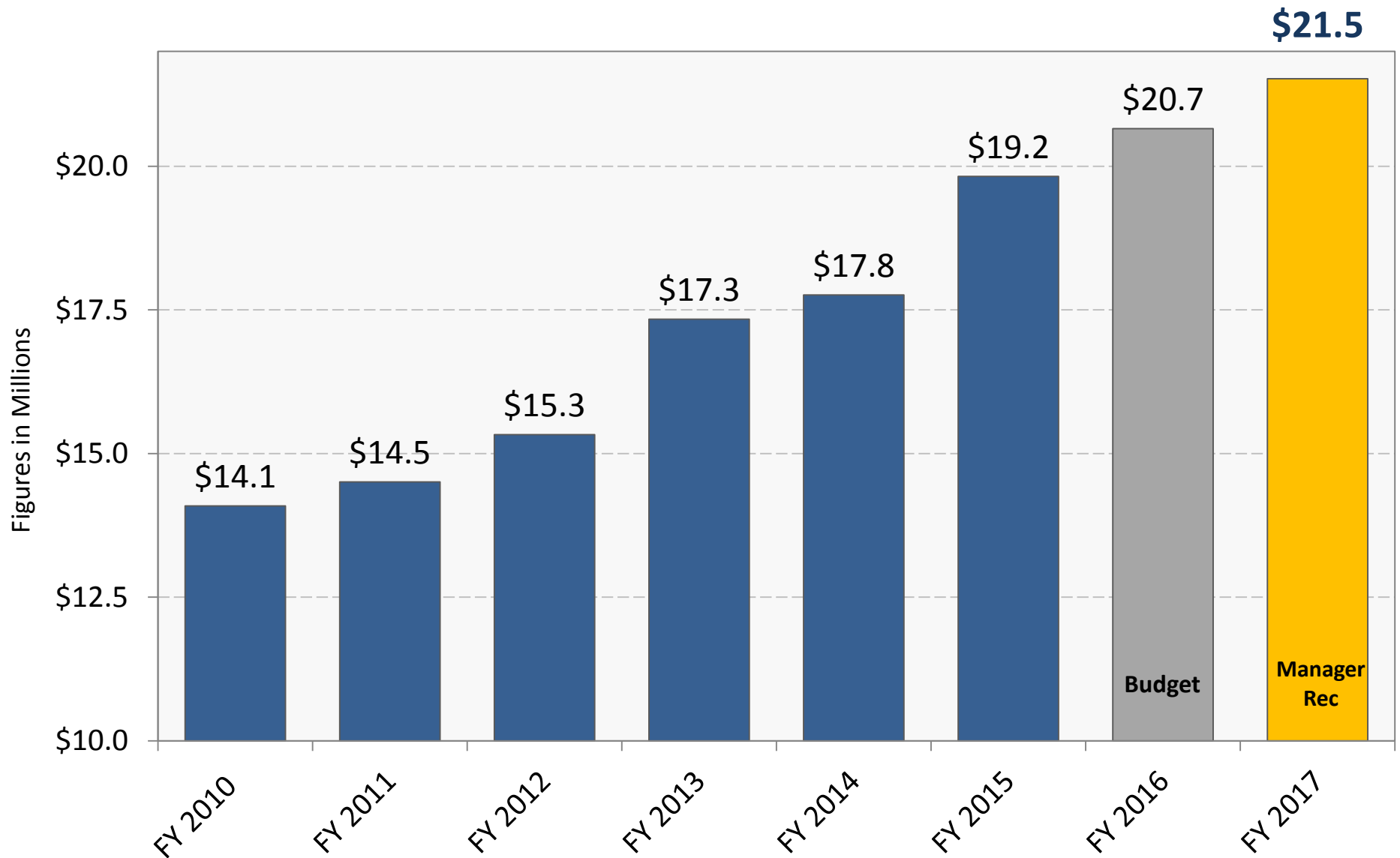


Pension Costs – All Funds

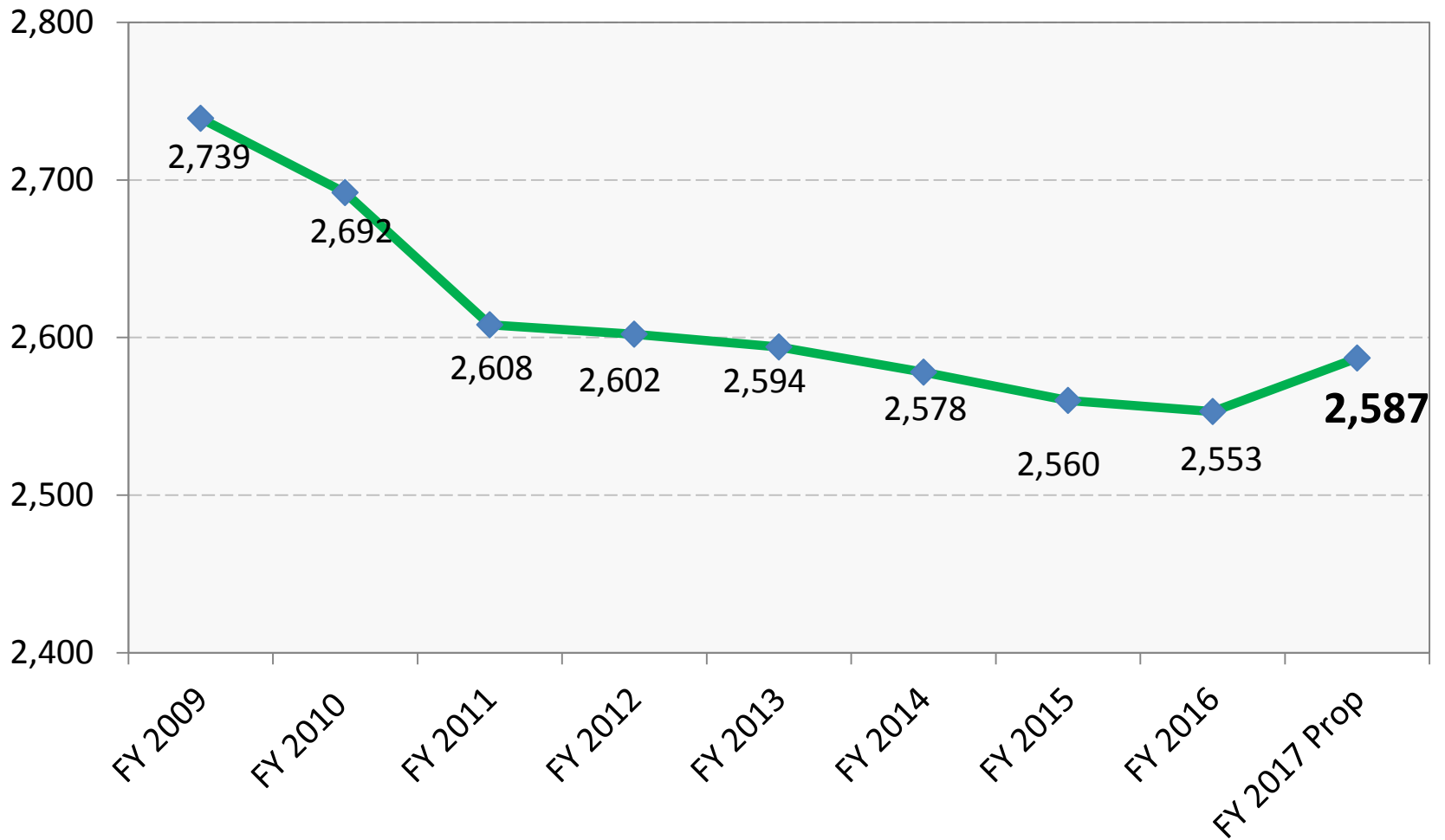
**\$22.6m increase
from FY 2010**



Healthcare Costs – General Fund



General Fund Positions



FY 2017 Position Changes

- **General Fund**

- New 21 positions - 1 converted from Part Time
- Shift 6 positions to General Fund in current year (Benefits/Pension)
- Absorb 6 COPS positions from expiring grant
- Shift to Other Funds – 4 positions
- Eliminated 3 positions






- **Other Funds** (not noted above in General Fund)

- New 12 positions
- Eliminated 1 position
- Schools - 30 New positions (25-4th/5th grade;5 other positions)

FY 2017 Major Adjustments

Average 3% Salary Adjustment	\$3.6 million
Retirement Increases – NNERF and VRS	\$2.5 m \$133,000
Contractual Obligations	\$1.1 million
Additional Contribution to Schools in Reserve	\$1.0 million
Cash Capital – FY 2017 Adopted CIP	\$1.0 million
Increased HRT Costs – Operations & 108/116	\$889,000
Expanded YGV – STEP, TOPP	\$400,000
2016 Presidential Election	\$112,000
New Community Support Applicant	\$50,000
Debt Service Decrease	(\$394,000)
Vehicle Fuel Savings	(\$520,000)
Department Efficiencies & Cost Saving Efforts	(\$651,000)

FY 2017 Support for Strategic Priorities

Community Maintenance and Renewal	
<i>Continued funding for demolitions</i>	
<i>New Positions for Code Enforcement</i>	
Economic Development and Redevelopment	
<i>Support Cultural Attractions Fund, Increased HRT Service, New Position</i>	
Maximum Emphasis on Public Safety	
<i>Expanded funding for Youth and Gang Violence Initiative</i>	
<i>Final Year Support for COPS Grant, Assuming Grant Positions</i>	
Sustainable Local Governmental Policies	
<i>Fleet Replacement, Recognizing fuel savings through less use</i>	
Fiscal Management and Efficient Operations	
<i>Met Pension Obligations and Cash Contribution in CIP</i>	
<i>Reorganizations – Communications, City Farm, Motor Pool</i>	
<i>Inclusion of Federal and State Grant Funds</i>	

Other Funds



Local Funding for Schools

\$119,300,000

- Level local funding
- This includes \$1 million in Reserve for increase
- State revenue is estimated to increase by \$8.3m

	FY 2016 Adopted	FY 2017 Recommended
Total General Fund Support	\$118,300,000	\$119,300,000
Comprised of:		
Held in Reserve		1,000,000
Base School Support for Operations	104,050,321	104,079,920
School Technology Plan Operations	2,409,570	2,409,570
School Debt Service	11,240,109	11,210,510
Grounds Maintenance	600,000	600,000



Waterworks

\$88,750,000

- **Operating increase of \$1.8 m or 2.1% from the current fiscal year**

- Increased Retirement and Health Insurance costs, Salary Adjustment, system maintenance, property taxes, IT automation and improvement
- Demand for water becoming more stable
- Proposed 1% increase to Water Rates - \$3.21/\$3.69 per HCF
- No change to monthly service fee



Solid Waste

\$14,943,000

- **Operating increase of \$237,000 or 1.6% from the current fiscal year**

- Increased Retirement and Health Insurance costs, Salary Adjustment
- Four new positions, one transferred from the General Fund



Solid Waste

\$14,943,000

- **Standard Container**
 - Increase of **\$0.15** per week, \$7.80 per year
- **Medium Container**
 - Increase of **\$0.12** per week, \$6.24 per year

	FY 2016	FY 2017
Rate structure changes	Current	Recommended
Container Size	Cost per week	
Medium (60 gallons)	\$5.52	\$5.64
Standard (90 gallons)	\$6.90	\$7.05
Note: Rate for 60-gallon container is set 20% less than rate for a standard 90-gallon container		



Wastewater

\$21,797,000

- **Operating increase of \$313,000 or 1.5% from the current fiscal year**
- Increased Retirement and Health Insurance costs, Salary Adjustment
- Federally-mandated Regional Consent order continues to drive costs
- Four new positions to address Consent Order, Maintenance program (MOM)
- Proposed increase in Sewer User Fee of 10 cents per HCF. Estimated impact of \$6.60 to typical household
- No change in Monthly Service Fee



Wastewater

\$21,797,000

- Proposed increase in Sewer User Fee to \$3.37 per HCF
- No change in Monthly Service Fee

	FY 2016	FY 2017
Rate structure changes	Current	Recommended
Sewer User Fee		
Rate per HCF used	\$3.27	\$3.37
Monthly Service Fee	\$4.00	\$4.00



Stormwater

\$22,135,000

- **Operating increase of \$2.1m or 10.7% from the current fiscal year**

- Impact of Federal and State Stormwater Regulation
- 2 major components
 - MS4 – Municipal Separate Storm Sewer System
 - TMDL – Total Maximum Daily Load; Chesapeake Bay Preservation Act
- Seven new positions – 3 Transferred from the General Fund
- Fund to pay maintenance costs previously in CIP



Stormwater

\$22,135,000

- Stormwater Management Fee
 - Increase of **\$0.50** per Equivalent Residential Unit (ERU) per month; \$6 per year

	FY 2016	FY 2017
Rate structure changes	Current	Recommended
Stormwater Management Fee		
Rate/ ERU per month	\$10.75	\$11.25
Annual Rate per 1 ERU	\$129.00	\$135.00

Impact on Typical Household

	<i>Weekly Increase</i>	<i>Monthly Increase</i>	<i>Annual Increase</i>
Real Estate Tax	\$0.00	\$0.00	\$0.00
Stormwater Fee	0.12	0.50	6.00
Solid Waste Fee	0.15	0.65	7.80
Sewer User Fee	0.13	0.55	6.60
Water Rates	0.06	0.22	2.64
Total Impact	\$0.45	\$1.92	\$23.04

Next Steps

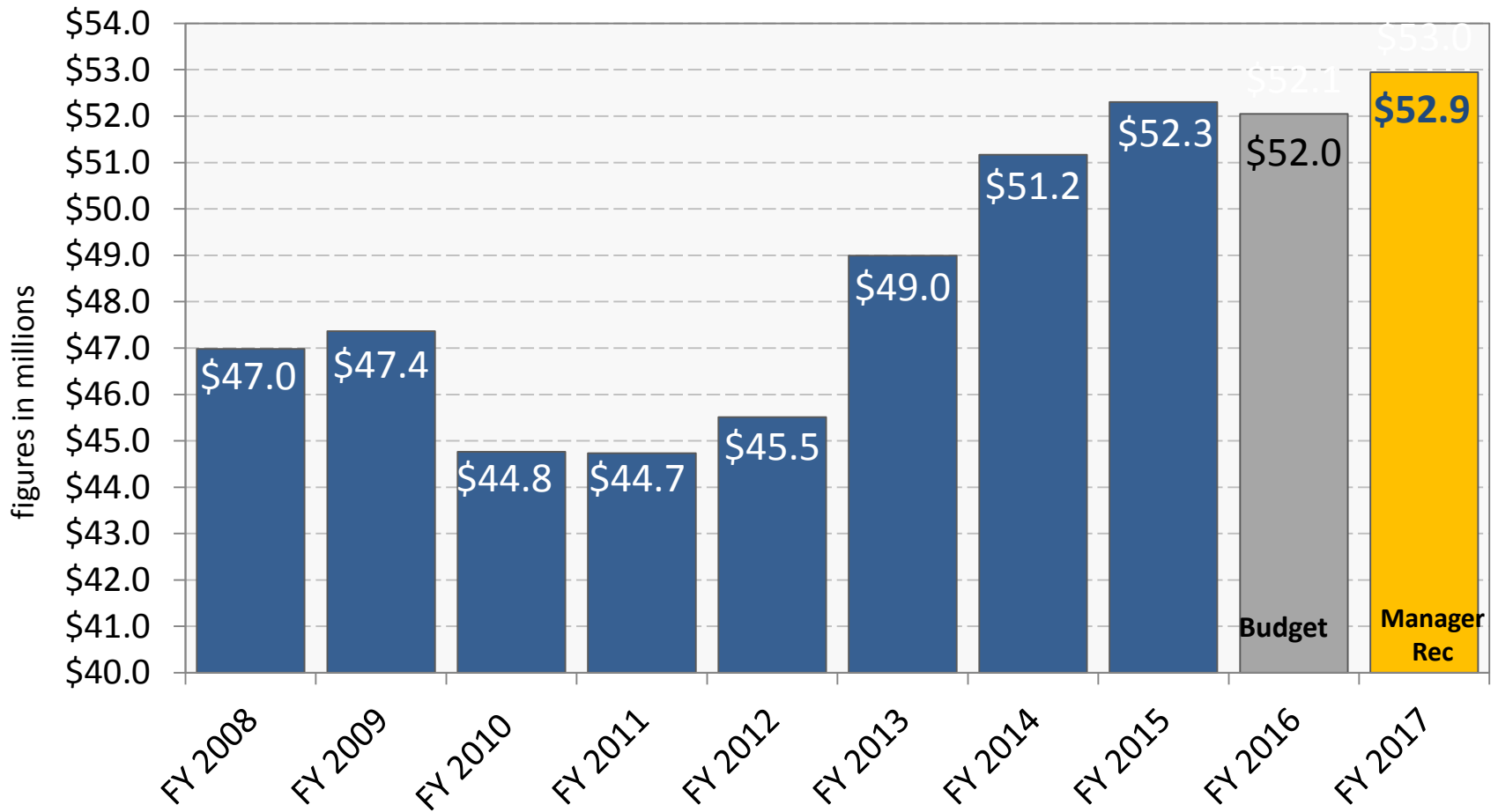
- ✓ City Council adopts Public Hearing Schedule
- ✓ Topic-specific presentations during April Work Sessions
- ✓ Position Papers distributed by **April 4th**
- ✓ Budget available on City's webpage at <http://www.nnva.gov>
- ✓ Print copies available at each public library and in the Budget & Evaluation Department
- ✓ FY 2017 Budget Advertisement for Public Hearings will be in the *Daily Press* on **March 27th** and **April 4th**
- ✓ Contact Department of Budget and Evaluation at **926-8733**

Thank You!

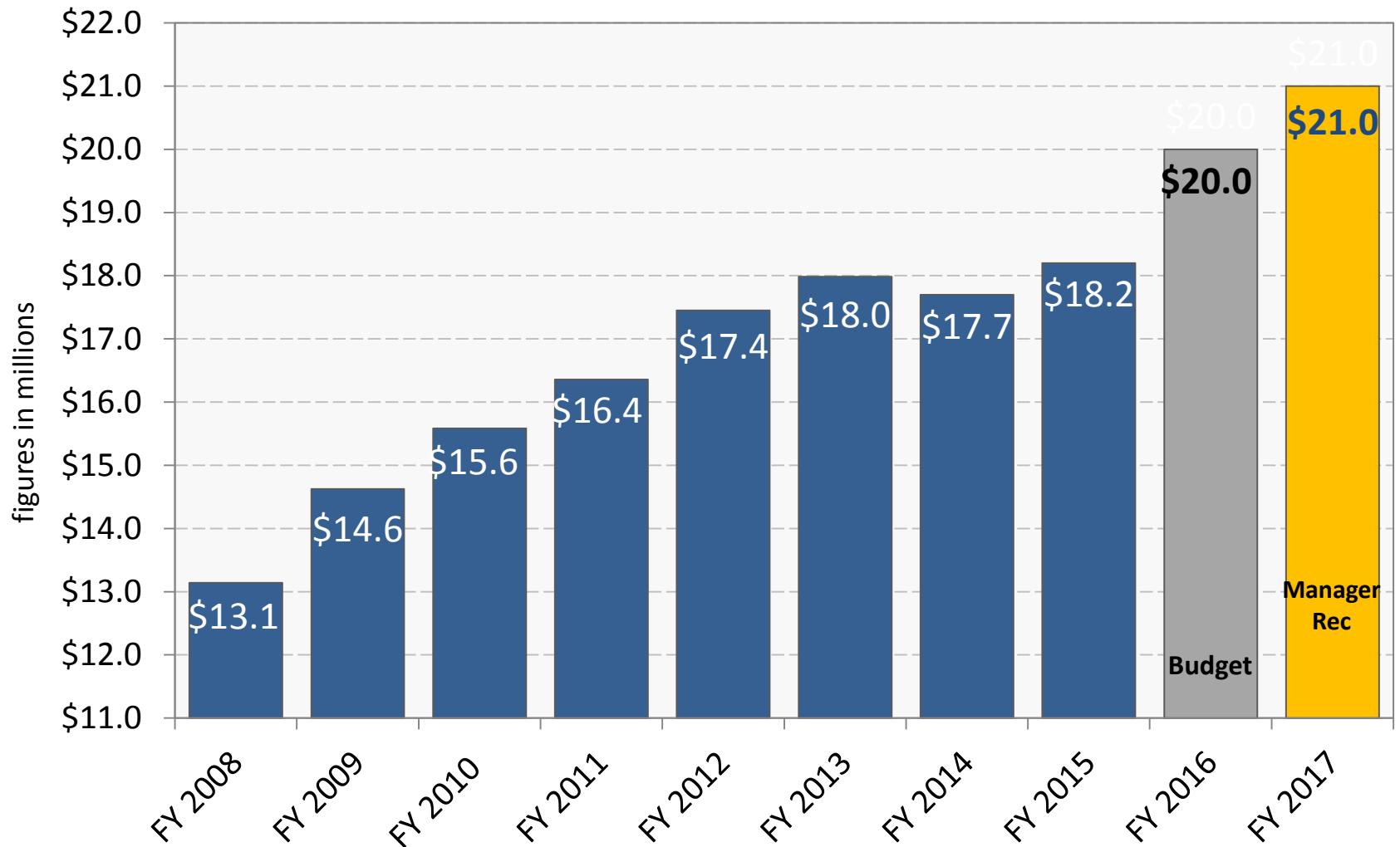
Appendix

Personal Property Taxes

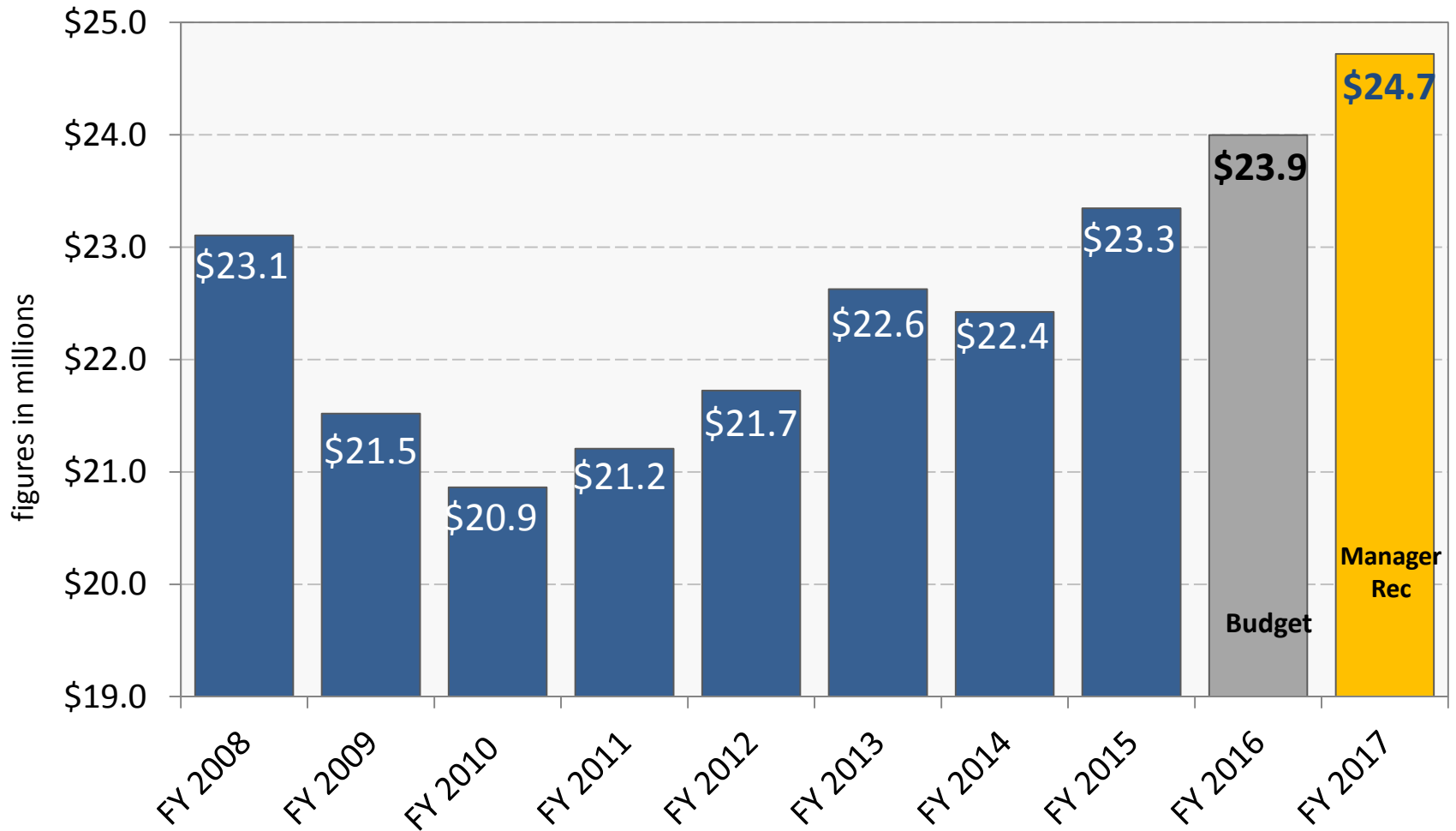
*Rate increase from
\$4.25 to \$4.50
for FY 2013*



Machinery and Tools Taxes

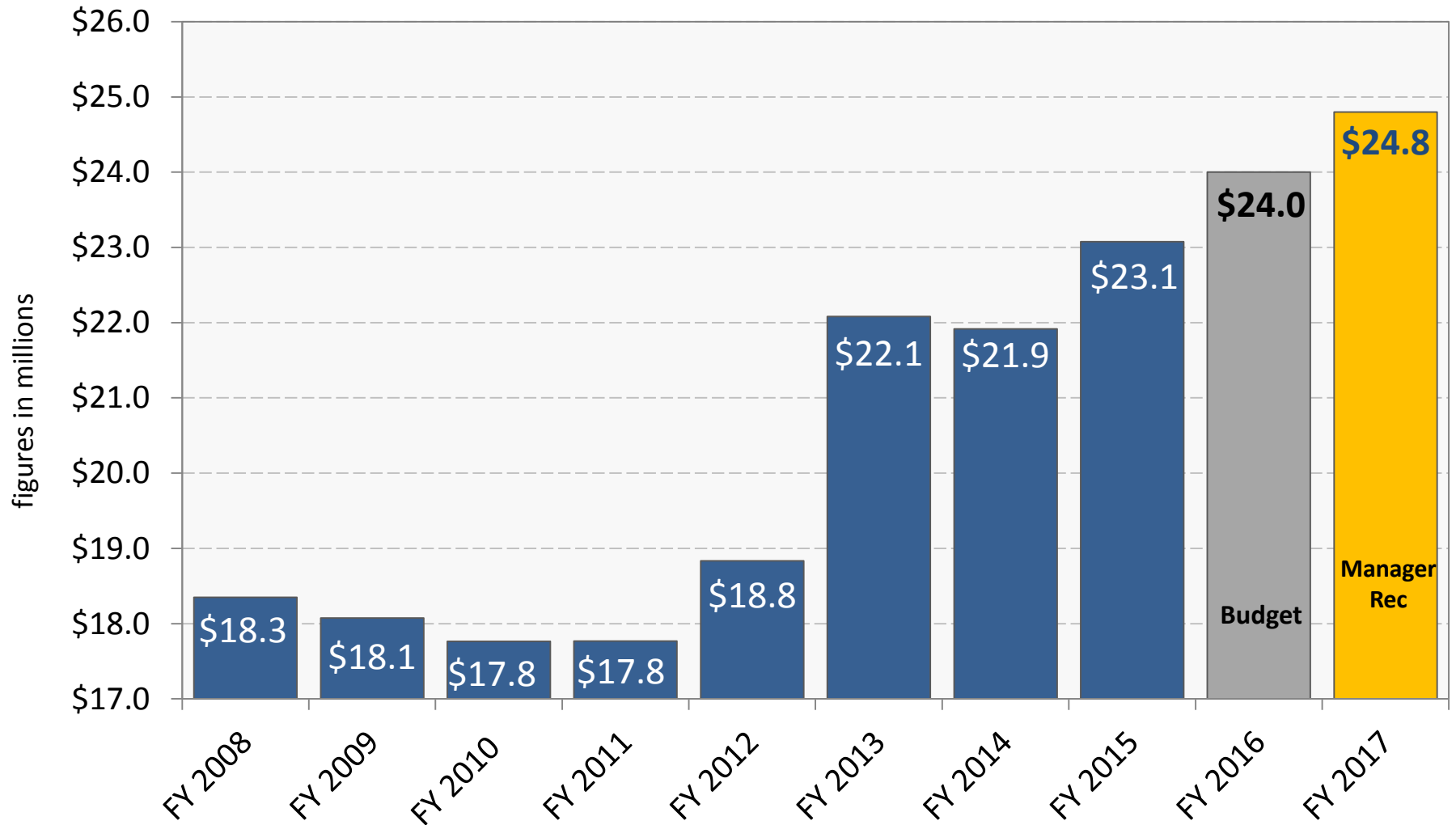


Sales Tax



Meal Tax

*Rate increase from
6.5% to 7.5%
for FY 2013*



Business, Professional and Occupational License Taxes

